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This Week in Canadian Agriculture, Issue 8

2005

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Report Highlights:
* Farmers Say Federal Budget Falls Short * 2004 Farm Cash Receipts Reverse Decline; Government Payouts Hit New Record * CFIA Releases Guidelines For Exporting Cattle, Bison, Sheep and Goats to the United States * Canada Going "Sideways" on the Softwood Lumber Dispute * Resolution Calls for End of CWB Monopoly * Saskatchewan Wheat Pool Delegates Approve Share Plan

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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
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[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

FARMERS SAY FEDERAL BUDGET FALLS SHORT: Canada's minority government released its first budget this week and the farm community was quick to charge that it fell short in addressing the current needs of Canadian agricultural producers. Ron Bonnett, president of the Ontario Federation of Agriculture said "...missing from the budget document was the (acknowledgement of the) urgency that's facing the farm community right now." The budget brought in by Finance Minister Ralph Goodale provided C$130 million for agriculture including C$104 million over four years to expand a cash-advance program, C$21 million for the Canadian Grain Commission for marketing efforts, and C$5 million for the Prairie Farm Rehabilitation Administration, a special branch of the federal agriculture department responsible for farm environmental and resource management services. In addition, the budget proposes to extend accelerated capital depreciation for equipment used to produce biogas (primarily methane) from manure and members of agricultural co-operatives will be able to defer income tax on patronage dividends received in the form of shares. *Comment: Agriculture Minister Andy Mitchell defended the government's commitment to agriculture. In a press release he cited a figure for agriculture funding C$544 million higher than the budget document. However, it was not lost on many observers that the "additional" money was in fact attributable to last year's (2004) budget appropriation for BSE related programs and initiatives.*

2004 FARM CASH RECEIPTS REVERSE DECLINE; GOVERNMENT PAYOUTS HIT NEW RECORD: Statistics Canada released Canadian farm cash receipts data for 2004 showing that higher revenues for crops and hogs pushed cash receipts up for the first time in three years. Canadian farmers received C$36.8 billion from all three sources (livestock and crop receipts and program payments), a 7.5% increase from 2003. The driving force was crop revenue, which increased 11.4% to C$14.7 billion, surpassing the previous record set two years earlier. This total was 8.6% higher than the previous five-year average (1999-2003). Livestock receipts rose 6.3% to C$17.2 billion in 2004 but were only marginally higher than the previous five-year average of C$17.1 billion. Receipts for hog producers hit a new record while revenues from cattle and calves fell to their lowest level since 1996 reflecting BSE-related problems. Farmers received C$4.9 billion from program payments in 2004, up C$37 million from the previous record in 2003. Among provinces, only Prince Edward Island reported lower receipts (down 2%) due to a decline in potato prices. The provinces with the most significant gains in cash receipts were Alberta, Manitoba, Nova Scotia and Saskatchewan. At C$4.9 billion, program payments were well above the previous five-year average of C$3.4 billion. Crop insurance delivered C$885 million in 2004, a C$921-million decline from the drought-related record payments in 2003. Canadian farmers received over C$1.1 billion through the BSE-related programs in 2004. The largest contributor was the Transitional Industry Support Program (TISP) that was designed to help offset the severe market impact of BSE. The TISP delivered more than C$806 million.

CFIA RELEASES GUIDELINES FOR EXPORTING CATTLE, BISON, SHEEP AND GOATS TO THE UNITED STATES: The Canadian Food Inspection Agency (CFIA) has released guidelines for Canadian producers interested in exporting eligible live ruminants to the United States under the USDA's minimal risk region rule scheduled for implementation on March 7, 2005. The rule permits the importation of cattle and bison less than 30 months of age and sheep and goats less than 12 months of age. These animals may be exported for immediate slaughter or for feeding prior to slaughter in the United States. Cattle, bison, sheep and goats for breeding remain prohibited. The CFIA document outlines the animal health and identification compliance requirements that Canadian exporters must meet under the new import rule.

CANADA GOING "SIDEWAYS" ON THE SOFTWOOD LUMBER DISPUTE: Canada's International Trade Minister, Jim Peterson, said this week that U.S. alcoholic beverage products will likely be targets of retaliatory action in the softwood lumber dispute. According to Peterson, this sector has been identified as one that would have limited impact on Canadian consumers, since the Canadian wine industry would no doubt welcome the opportunity to fill the void. U.S. pleasure boats and yachts, which were included on an earlier list for potential retaliation, now appear to be unlikely targets, due to the huge impact this would have on the Canadian boating and tourism industries.

RESOLUTION CALLS FOR END OF CWB MONOPOLY: At a joint conference held by the Western Barley Growers Association (WBGA) and the Western Canadian Wheat Growers Association (WCWGA) a resolution was passed asking Ottawa to end the Canadian Wheat Board's (CWB) monopoly on wheat and barley sales in Western Canada. The two groups cited the Ontario Wheat Producer's Marketing Board (OWPMB) as an example of how an open marketing system can function. According to the resolution, Ontario wheat acreage in the province has climbed and exports into the U.S. have doubled in the years since the OWPMB gave up its monopoly powers, while wheat acreage on the Prairies has dropped in the last 20 years. The resolution also states that the Ontario w heat board's final payment on Hard Red Spring wheat was significantly higher than the CWB's in Saskatchewan. Both groups cite the OWPMB as an example of how the CWB could continue to play an important role an open market system. A similar resolution was passed at Agricore United's (AU) annual meeting. Agricore United's farmer delegates supported the company's pro-choice resolution, which supports the freedom of market choice for all grains, oilseeds and specialty crops, including wheat and barley. The passing of this resolution reaffirmed a similar one adopted at AU's last year meeting. In addition, AU delegates passed a resolution calling for "an independent review of the CWB, including all aspects of its governance structure and director elections."

SASKATCHEWAN WHEAT POOL DELEGATES APPROVE SHARE PLAN: More than two thirds of the Saskatchewan Wheat Pool (SWP) delegates representing Class A shareholders voted in favor of instituting the company's plan to eliminate the company's dual-class share structure, convert $173 million (CDN) of debt into new shares and raise $150 million (CDN) in new money. The plan, originally announced by SWP on December 14, 2004, would end the Pool's co-operative structure, by issuing a single class of common voting shares and hopefully bring financial strength to the company by streamlining the share structure. The current structure has Class A voting shares held by farmers, and Class B non-voting shares. The final step in the process is for the SWP to seek approval from its Class B non-voting shareholders and convertible noteholders. This will be done at separate meetings on March 23.

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